



DIALOG GROUP BERHAD

198901001388 (178694-V)
(Incorporated in Malaysia)

**Interim Financial Statements
For The Financial Year Ended
30 June 2021**

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
 FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		12 MONTHS ENDED	
		30/06/2021	30/06/2020	30/06/2021	30/06/2020
		RM'000	RM'000	RM'000	RM'000
Revenue		522,139	539,943	1,609,925	2,303,448
Operating expenses		(445,968)	(413,183)	(1,299,875)	(1,845,578)
Other operating income		21,208	22,571	83,903	73,512
Fair value gain on deemed disposal of a joint venture	A16	-	-	-	28,538
Share of profit of joint ventures and associates, net of tax		60,864	54,141	227,432	241,961
Finance costs		(2,866)	(14,307)	(26,376)	(54,602)
Profit before tax		155,377	189,165	595,009	747,279
Tax expense		(14,951)	(21,584)	(51,945)	(99,184)
Profit for the year		<u>140,426</u>	<u>167,581</u>	<u>543,064</u>	<u>648,095</u>
Profit for the year attributable to:					
Owners of the parent		138,542	156,676	543,141	630,363
Non-controlling interests		1,884	10,905	(77)	17,732
		<u>140,426</u>	<u>167,581</u>	<u>543,064</u>	<u>648,095</u>
Basic earnings per ordinary share (sen)	B12	<u>2.46</u>	<u>2.78</u>	<u>9.63</u>	<u>11.18</u>
Diluted earnings per ordinary share (sen)	B12	<u>2.46</u>	<u>2.78</u>	<u>9.63</u>	<u>11.18</u>

(The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the year ended 30 June 2020 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		3 MONTHS ENDED		12 MONTHS ENDED	
		30/06/2021	30/06/2020	30/06/2021	30/06/2020
		RM'000	RM'000	RM'000	RM'000
Profit for the year	B13	140,426	167,581	543,064	648,095
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translations		(841)	(8,834)	(25,725)	14,379
Cash flow hedge		111	(1,080)	20,947	(15,949)
Fair value of other investments		29,890	-	29,890	-
Share of other comprehensive (loss)/gain of joint ventures		(2,388)	(21,125)	69,185	(86,387)
Other comprehensive income/(loss) for the year		<u>26,772</u>	<u>(31,039)</u>	<u>94,297</u>	<u>(87,957)</u>
Total comprehensive income for the year		<u>167,198</u>	<u>136,542</u>	<u>637,361</u>	<u>560,138</u>
Total comprehensive income attributable to:					
Owners of the parent		164,777	127,216	637,364	546,530
Non-controlling interests		<u>2,421</u>	<u>9,326</u>	<u>(3)</u>	<u>13,608</u>
		<u>167,198</u>	<u>136,542</u>	<u>637,361</u>	<u>560,138</u>

(The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 June 2020 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 AS AT 30 JUNE 2021**

	NOTE	30/06/2021 RM'000	30/06/2020 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		2,781,970	2,025,946
Development of tank terminals		589,899	537,090
Intangible assets		835,056	777,208
Investments in joint ventures and associates	B11	1,504,761	1,283,385
Other investments		57,368	6,733
Deferred tax assets		49,521	66,895
		<u>5,818,575</u>	<u>4,697,257</u>
CURRENT ASSETS			
Inventories		43,699	84,708
Trade and other receivables	A17	620,737	1,146,950
Current tax assets		32,213	16,739
Other investment		8,630	-
Cash and cash equivalents	A18	1,453,356	1,240,389
		<u>2,158,635</u>	<u>2,488,786</u>
ASSETS CLASSIFIED AS HELD FOR SALE			
		-	3,986
TOTAL ASSETS		<u><u>7,977,210</u></u>	<u><u>7,190,029</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		1,697,751	1,684,126
Treasury shares		(3,625)	(3,625)
Reserves		2,903,542	2,451,646
		4,597,668	4,132,147
Perpetual Sukuk Wakalah	A21	498,940	-
Non-controlling interests		102,255	111,603
TOTAL EQUITY		<u>5,198,863</u>	<u>4,243,750</u>
NON-CURRENT LIABILITIES			
Borrowings	B7	1,637,941	1,453,461
Lease liabilities		20,438	14,317
Deferred tax liabilities		4,475	4,140
		<u>1,662,854</u>	<u>1,471,918</u>
CURRENT LIABILITIES			
Trade and other payables	A19	747,483	930,803
Borrowings	B7	297,702	457,684
Lease liabilities		6,173	5,382
Current tax liabilities		64,135	80,492
		<u>1,115,493</u>	<u>1,474,361</u>
TOTAL LIABILITIES		<u>2,778,347</u>	<u>2,946,279</u>
TOTAL EQUITY AND LIABILITIES		<u><u>7,977,210</u></u>	<u><u>7,190,029</u></u>
Net assets per share attributable to owners of the parent (sen)		<u>81.5</u>	<u>73.3</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 June 2020 and the accompanying explanatory notes attached to the Interim Financial Statements.)

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

	Attributable to owners of the parent					Perpetual Sukuk Wakalah RM'000	Non - controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000			
Balance as at 1 July 2020	1,684,126	(3,625)	13,338	2,438,308	4,132,147	-	111,603	4,243,750
Total comprehensive income/(loss) for the year	-	-	94,223	543,141	637,364	-	(3)	637,361
Appropriation:								
Final dividend for FY2020	-	-	-	(107,192)	(107,192)	-	-	(107,192)
Interim dividend for FY2021	-	-	-	(67,708)	(67,708)	-	-	(67,708)
Share options granted under ESOS	-	-	5,380	-	5,380	-	99	5,479
Dividends paid to non-controlling interests	-	-	-	-	-	-	(5,354)	(5,354)
Issuance of Perpetual Sukuk Wakalah	-	-	-	-	-	500,000	-	500,000
Distribution paid for Perpetual Sukuk Wakalah	-	-	-	(10,347)	(10,347)	-	-	(10,347)
Share options exercised	13,626	-	(2,025)	-	11,601	-	(188)	11,413
Share issue expenses	(1)	-	-	-	(1)	-	-	(1)
Transaction costs	-	-	-	-	-	(1,060)	-	(1,060)
Acquisition of shares from non-controlling interests	-	-	-	(3,576)	(3,576)	-	(3,902)	(7,478)
Balance as at 30 June 2021	1,697,751	(3,625)	110,916	2,792,626	4,597,668	498,940	102,255	5,198,863
Balance as at 1 July 2019								
- As previously reported	1,684,126	(3,625)	91,748	2,018,983	3,791,232	-	116,461	3,907,693
- Effect of adoption of MFRS 16	-	-	-	(1,676)	(1,676)	-	(903)	(2,579)
- As restated	1,684,126	(3,625)	91,748	2,017,307	3,789,556	-	115,558	3,905,114
Total comprehensive (loss)/income for the year	-	-	(83,833)	630,363	546,530	-	13,608	560,138
Appropriation:								
Final dividend for FY2019	-	-	-	(129,681)	(129,681)	-	-	(129,681)
Interim dividend for FY2020	-	-	-	(67,660)	(67,660)	-	-	(67,660)
Share options granted under ESOS	-	-	5,423	-	5,423	-	135	5,558
Dividends paid to non-controlling interests	-	-	-	-	-	-	(19,498)	(19,498)
Acquisition of a subsidiary	-	-	-	-	-	-	19,149	19,149
Acquisition of shares from non-controlling interests	-	-	-	(12,021)	(12,021)	-	(17,349)	(29,370)
Balance as at 30 June 2020	1,684,126	(3,625)	13,338	2,438,308	4,132,147	-	111,603	4,243,750

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2020 and the accompanying explanatory notes attached to the Interim Financial Statements.)

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	12 MONTHS ENDED	
	30/06/2021	30/06/2020
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	595,009	747,279
Adjustments for:		
Depreciation and amortisation	226,661	192,806
Net interest (income)/expense	(2,661)	1,517
Share of profit of joint ventures and associates	(227,432)	(241,961)
Share options granted under ESOS	5,479	5,558
Other non-cash items	(25,347)	(32,198)
Operating profit before working capital changes	571,709	673,001
Changes in working capital :		
Net change in inventories and receivables	104,820	204,944
Net change in payables	(199,322)	(45,445)
Cash from operations	477,207	832,500
Dividends received	85,147	69,343
Interest received	28,503	52,302
Tax paid	(73,499)	(110,040)
Tax refunded	13,498	2,448
Net cash from operating activities	530,856	846,553
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash and cash equivalents acquired	-	66,492
Acquisition of shares from non-controlling interests	(7,478)	(29,370)
Additions of intangible assets	(171,859)	(156,268)
Additions of other investment	(23,324)	-
Development of tank terminals	(52,809)	(55,825)
Investments in joint ventures and associates	(16,612)	386,658
Repayment of advances from an associate	438,503	-
Net change in deposits with licensed banks	37,092	(6,884)
Proceeds from disposal of property, plant and equipment	26,693	503
Purchase of property, plant and equipment	(834,951)	(647,261)
Net cash used in investing activities	(604,745)	(441,955)

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

	12 MONTHS ENDED	
	30/06/2021	30/06/2020
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(25,842)	(53,819)
Share issue expenses	(1)	-
Dividends paid	(174,900)	(197,341)
Distribution to Sukuk holders	(10,347)	-
Dividends paid to non-controlling interests	(5,354)	(19,498)
Net drawdown of bank borrowings	28,667	213,394
Net proceeds from issuance of Perpetual Sukuk Wakalah	498,940	-
Proceeds from issuances of shares	11,413	-
Net cash from/(used in) financing activities	<u>322,576</u>	<u>(57,264)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	248,687	347,334
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		
As previously reported	1,201,432	854,349
Effects of exchange rate changes on cash and cash equivalents	3,133	(251)
	<u>1,204,565</u>	<u>854,098</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note A18)	<u>1,453,252</u>	<u>1,201,432</u>

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 30 June 2020 and the accompanying explanatory notes attached to the Interim Financial Statements.)

INTERIM FINANCIAL REPORT

NOTES TO THE INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the reporting requirements of Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). These interim financial statements also comply with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2020.

A2 Changes in accounting policies

The audited financial statements of the Group for the year ended 30 June 2020 were prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) framework issued by MASB. As per requirements under MFRS, the significant accounting policies adopted in preparing these interim financial statements are consistent with those of the audited financial statements for the year ended 30 June 2020 except as discussed below:

As of 1 July 2020, the Group has adopted the revised MFRSs and Amendments of MFRSs that have been issued by MASB as listed below:

MFRSs, Amendments to MFRSs

Title	Effective Date
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendments to MFRS 16 <i>Covid-19 - Related Rent Concessions</i>	1 June 2020
Amendments to MFRS 4 <i>Extension of the Temporary Exemption from Applying MFRS 9</i>	17 August 2020

The adoption of the above Amendments of MFRSs did not have any material impact to the condensed financial statements.

A3 Auditors' report of preceding annual audited financial statements

The auditors' report on the preceding year's audited financial statements was not subject to any qualification.

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A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONTINUED

A4 Seasonal or cyclical factors

The Group's operations are not affected by seasonal or cyclical factors.

A5 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current financial year ended 30 June 2021.

A6 Material changes in estimates

There were no changes in estimates of amounts reported in the prior financial year, which have a material effect in the current financial year.

A7 Debt and equity securities

There were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial year except for the following:

- i. exercise of 4,090,155 share options under the Employees' Share Option Scheme; and
- ii. issuance of RM500 million Perpetual Sukuk Wakalah in nominal value with tenure of perpetual non-callable 7 years with a periodic distribution rate 4.15% per annum.

A8 Dividends paid

- i) A final dividend of 1.90 sen per ordinary share, amounting to RM107,191,692 in respect of financial year ended 30 June 2020 was paid on 17 December 2020.
- ii) A interim dividend of 1.20 sen per ordinary share, amounting to RM67,708,766 in respect of financial year ended 30 June 2021 was paid on 29 June 2021.

A9 Property, plant and equipment

There was no revaluation of property, plant and equipment brought forward from the previous audited financial statements.

A10 Material events subsequent to the end of the financial year

There were no material events subsequent to the current financial year ended 30 June 2021 and up to the date of this report, which is likely to substantially affect the profits of the Group.

INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO MFRS 134 - CONTINUED

A11 Operating segments

The Group is principally involved in providing integrated technical services to the oil, gas and petrochemical industry in Malaysia and other areas of the world. Its operating segments are presented based on the geographical location of its customers. The performance of each segment is measured based on profit before tax as included in the internal management report reviewed by the chief operating decision maker.

The Group's operating segments for the financial year ended 30 June 2021 are as follows:

	Malaysia	Asia	Australia & New Zealand	Middle East	Other Countries	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment profits before tax	532,961	20,363	20,714	20,561	410	595,009
<i>Included in the measure of segment profits are:</i>						
<i>Revenue from external customers</i>	779,693	237,347	419,018	172,633	1,234	1,609,925
<i>Inter-segment revenue</i>	14,052	7,384	13,827	8,317	-	43,580
<i>Depreciation and amortisation</i>	196,228	4,645	16,203	9,585	-	226,661
<i>Interest expense</i>	23,678	212	1,243	709	-	25,842
<i>Interest income</i>	27,622	857	24	-	-	28,503
<i>Share of profit/(loss) of joint ventures and associates</i>	227,602	(170)	-	-	-	227,432
Segment assets	7,102,557	414,656	195,683	214,793	-	7,927,689
Deferred tax assets						49,521
Total assets						<u>7,977,210</u>
<i>Included in the measure of segment assets are:</i>						
<i>Investments in joint ventures and associates</i>	1,504,197	564	-	-	-	1,504,761
<i>Changes to non-current assets:</i>						
- <i>Property, plant and equipment</i>	819,781	1,405	12,985	780	-	834,951
- <i>Intangible assets</i>	171,820	14	25	-	-	171,859
- <i>Development of tank terminals</i>	52,809	-	-	-	-	52,809
- <i>Joint ventures and associates</i>	16,612	-	-	-	-	16,612
- <i>Other investments</i>	20,697	-	-	-	-	20,697
Segment liabilities	2,565,542	74,630	84,231	49,469	-	2,773,872
Deferred tax liabilities						4,475
Total liabilities						<u>2,778,347</u>

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A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONTINUED

A12 Changes in the composition of the Group

In June 2021, Dialog D & P Sdn. Bhd. (“DDPSB”), a wholly owned subsidiary of the Company, acquired the remaining 5% equity interest in Halliburton Bayan Petroleum Sdn. Bhd. (“HBP”) for a total cash consideration of USD1.8 million, equivalent to RM7.48 million. Pursuant to that, HBP is now a wholly owned subsidiary of DDPSB. The Group then changed HBP’s name to Dialog Bayan Petroleum Sdn. Bhd.

There were no other changes in the composition of the Group during the current financial year.

A13 Commitments

	30/06/2021 RM'000
Capital commitments	
Capital expenditure in respect of property, plant and equipment:	
- approved but not contracted for	2,400
- contracted but not provided for	4,100
	6,500
Commitments of the Group in respect of tank terminal business	86,200
Commitments of the Group in respect of upstream business	312,000

A14 Changes in contingent liabilities and contingent assets

The Company provides corporate guarantees up to a total amount of RM2,192.7 million (as at 30.06.2020: RM1,076.5 million) to licensed banks for banking facilities granted to certain subsidiaries. Consequently, the Company is contingently liable for the amounts of banking facilities utilised by these subsidiaries totalling RM1,660.9 million (as at 30.06.2020: RM679.1 million).

The Company has also provided a sponsor’s undertaking to financial institutions for the provision of cash flow deficiency support of SGD58.5 million, equivalent to RM180.7 million (as at 30.06.2020: SGD83.2 million, equivalent to RM255.3 million) for project financing secured by a joint venture.

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A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONTINUED

A15 Significant related party transactions

Significant related party transactions which were entered into on agreed terms and prices for the financial year ended 30 June 2021 are set out below. The relationship of the related parties are disclosed in the audited financial statements for the financial year ended 30 June 2020.

	12 MONTHS ENDED 30/06/2021 RM'000
Transactions with a joint venture and an associate:	
Dividend income	85,147
Interest income	14,344
Subcontract works received	16,777

A16 Fair value gain on deemed disposal of a joint venture

In the previous financial year, the Group acquired an additional 25% equity interest in a jointly controlled entity and booked a RM28.5 million non-cash fair value gain arising from business combination of a jointly controlled entity to a subsidiary.

A17 Trade and other receivables

	30/06/2021 RM'000
Trade receivables	283,882
Amounts due from customers for contract works	127,646
Amounts due from joint ventures and associates	159,912
Other receivables, deposits and prepayments	49,271
Hedge derivative assets	26
	<u>620,737</u>

A18 Cash and cash equivalents

	30/06/2021 RM'000
Bank balances and deposits with licensed banks	1,453,356
Less: Bank balances and deposits pledged to licensed banks	(104)
	<u>1,453,252</u>

A19 Trade and other payables

	30/06/2021 RM'000
Amounts due to customers for contract works	15,201
Trade payables	565,532
Accruals and other payables	166,635
Hedge derivative liabilities	115
	<u>747,483</u>

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A EXPLANATORY NOTES PURSUANT TO MFRS 134 – CONTINUED

A20 Employees' Share Option Scheme ("ESOS")

The Company has implemented an ESOS scheme to attract and retain qualified and experienced employees. The scheme was approved by the shareholders at the Annual General Meeting held on 14 November 2018 and came into effect on 3 December 2018. The ESOS shall be in force for a period of ten (10) years until 2 December 2028.

In compliance with Malaysian Financial Reporting Standard, MFRS 2 on Share-based Payment, a total ESOS cost for share options amounted to RM5,479,000 was charged to the statement of profit or loss in the current financial year (FY2020: RM5,558,000).

A21 Wakalah Bi Al-Istithmar ("Sukuk Programme")

In September 2020, the Company had obtained approval for an Islamic notes issuance programme of up to an aggregate amount of RM3.0 billion in nominal value based on the Shariah principle of Sukuk Programme with the Securities Commission Malaysia. The Sukuk Programme, which has a perpetual programme tenure, provides the Company the flexibility to issue, from time to time, senior Islamic medium term notes ("Senior Sukuk Wakalah") and/or subordinated perpetual Islamic notes ("Perpetual Sukuk Wakalah") subject to the aggregate outstanding nominal amount not exceeding RM3.0 billion at any point in time.

In November 2020, the Company completed the first issuance of RM500 million Perpetual Sukuk Wakalah in nominal value with tenure of perpetual non-callable 7 years with a periodic distribution rate 4.15% per annum.

	30/06/2021
	RM'000
Issuance nominal value	500,000
Less: Transaction costs	<u>(1,060)</u>
Net nominal value	<u><u>498,940</u></u>

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

B1 Performance analysis

The Group closed its financial year ended 30th June 2021 with a revenue of RM1.61 billion lower by 30.1% against RM2.30 billion reported in the previous financial year. The Group's net profit after tax for the current financial year was RM543.1 million, down by 12.3% against RM619.6 million achieved in the previous financial year. In the previous financial year, the Group booked a RM28.5 million non-cash fair value gain from business combination of a jointly controlled entity to a subsidiary which resulted in a total net profit after tax of RM648.1 million.

As for the current reporting quarter against the corresponding quarter last year, the Group registered a revenue of RM522.1 million with a net profit after tax of RM140.4 million, lower by 3.3% and 16.2% respectively.

During the current financial year under review, the Group's operations continued to be busy with the development of its own internal midstream assets. The construction works of the 430,000 m³ storage capacity under Phase 3A of Pengerang Deepwater Terminals was completed in March 2021 as scheduled whilst the 85,000 m³ capacity expansion of DIALOG Terminals Langsat 3 is scheduled for completion by end 2021. The focus on the development of the Group's own internal midstream terminal assets during the financial year resulted in the lower reported revenue for Malaysia operations.

Despite the lower revenue and net profit reported in the downstream activities, the Group saw increased contributions from its recurring income business such as midstream business. The storage capacity of DIALOG Terminals Langsat and Pengerang Independent Terminals Sdn. Bhd., at 770,000 m³ and 1,780,000 m³ respectively, continued to be fully leased out. In addition, the newly commissioned DIALOG Terminals Pengerang 5 with storage capacity of 430,000 m³ dedicated for BP Singapore Pte. Limited has commenced its commercial operations in March 2021.

On the International front, the revenue reported in the current financial year was lower against last year, mostly due to reduced business activities as a result of the challenging market and economic downturn due to the prolonged COVID-19 pandemic. Despite the lower revenue, net profit from international operations was higher contributed by favourable performance from fabrication activities.

B2 Variation of results against preceding quarter

The Group's profit before taxation for the current quarter of RM155.4 million was higher by 4.9% when compared to RM148.1 million reported in the preceding quarter. This was mainly attributable to the higher revenue recorded in the current quarter of RM522.1 million against RM405.2 million reported in the preceding quarter.

INTERIM FINANCIAL REPORT

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONTINUED**B3 Prospects**

As a leading integrated technical service provider that is diversified across the upstream, midstream and downstream sectors in the oil, gas and petrochemical industry, DIALOG remains confident that its business model is well structured to manage and sustain itself through periods of economic uncertainty, oil price volatility and currency movements.

Whilst the world is experiencing a prolonged economic downturn due to COVID-19 global pandemic which had caused demand disruptions of petroleum products, DIALOG has maintained a very prudent approach and taken proactive steps in managing the Group's finances. Capital expenditure and operating expenses have been reviewed and cost reduction measures are ongoing without jeopardizing our operations and service delivery to customers.

In the midstream sector, we will continue to develop Pengerang Deepwater Terminals ("PDT") for oil, gas and petrochemical players who are looking to capture Asia Pacific demand growth over the next 30 years. PDT continues to offer a compelling value proposition for the establishment of strategic hub operations given its ideal location and one-stop integrated hub offering.

With Phase 1 and Phase 2 of PDT already in operations, the entry into the Long Term Storage Agreement with BP Singapore Pte. Limited for Phase 3 of PDT is another significant milestone in this direction and is expected to be the catalyst for further development of PDT in the coming years. The land reclamation for phase 3 has been completed. The 430,000 m³ storage terminal with common tankage facilities (including shared infrastructure) and deepwater marine facilities ("Jetty 3") has commenced commercial operations in March 2021. With approximately another 500 acres available for development, we are still in the early stages of developing PDT into the largest petroleum and petrochemical hub for the ASEAN region that we have envisioned it to be.

In addition to Dialog Terminals Langsat's current total capacity of 770,000 m³, DIALOG is investing an additional RM100 million to expand 85,000 m³ more storage capacity which will be completed for operations by the end of 2021. Furthermore, we still have 17 acres of land which can add approximately another 200,000 m³ of storage capacity to Dialog Terminals Langsat over the longer term, thus bringing the total capacity at the Langsat facility to over 1,000,000 m³. This is in line with the Group's longer-term strategy to grow its midstream terminals business to generate sustainable and recurring income.

In the downstream sector, we will continue to leverage on our strengths and established track record in integrated technical services comprising Engineering, Procurement, Construction & Commissioning, ("EPCC"), Plant Maintenance & Catalyst Handling Services, and Specialist Products and Services. With the completion of PDT Phase 2 and the refinery projects at RAPID, we are also now actively involved in the plant maintenance services for both new and existing plants in the region.

Further downstream in the Petrochemicals business, the Group had recently entered into a Memorandum of Understanding for a proposed joint venture to build, own and operate a food grade recycled polyethylene terephthalate ("recycled PET") pellets production facility using recycled PET flakes as raw material to produce food grade recycled PET pellets for sale. This proposed venture into the post-consumer plastics recycling industry would be the Group's first investment into the downstream petrochemicals business and is a continuation of the initiatives by the Group to achieve business sustainability and fulfill its Environmental, Social and Governance agenda through commercially viable ventures.

INTERIM FINANCIAL REPORT

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONTINUED

B3 Prospects – continued

In the upstream sector, due to the disruption in the operations of petroleum products caused by the COVID-19 pandemic, the Group is taking proactive steps in the cash flow management of our upstream assets together with our respective partners. The Group remains optimistic of the future prospects of upstream sector and is confident it will continue to contribute positively to the Group's results.

Notwithstanding that the economic environment is expected to remain extremely challenging in the short to medium term, the Group will remain focused on delivering its long term goals. Barring any unforeseen circumstances, the Group is confident that its performance will remain profitable for the financial year ending 30 June 2022.

B4 Profit forecast and profit guarantee

The Group did not announce any profit forecast nor profit guarantee for the current financial year.

B5 Taxation

	INDIVIDUAL PERIOD	CUMULATIVE PERIOD
	3 MONTHS ENDED 30/06/2021 RM'000	12 MONTHS ENDED 30/06/2021 RM'000
Current tax	4,147	38,687
Deferred tax	6,437	18,475
Under/(Over) provision in prior years	4,367	(5,217)
Total tax expense	14,951	51,945
Effective tax rate on profit before tax excluding share of profit of joint ventures and associates	15.8%	14.1%

The effective tax rates for the quarter and financial year ended 30th June 2021 were lower than the statutory rate of 24% mainly due to non-taxable income recognised during the year, lower tax rates in foreign tax jurisdictions and Malaysia's real property gain tax rate at 10% for the gain on disposal of properties.

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONTINUED

B6 Status of corporate proposals

(i) Memorandum of Understanding with the State Government of Johor Darul Ta'zim and the State Secretary, Johor (Incorporated) ("SSI")

In April 2018, Dialog Pengerang Sdn. Bhd., a wholly owned subsidiary of the Company, had signed a Memorandum of Understanding with the State Government of Johor Darul Ta'zim and SSI to outline the understanding between the said parties for Dialog Terminals Pengerang CTF Sdn. Bhd., which is currently an indirect wholly owned subsidiary of the Company, to develop common tankage facilities (including shared infrastructure) and deepwater marine facilities to support and promote the petroleum and petrochemicals storage and handling tank terminal business to be constructed and carried out as Pengerang Deepwater Terminals Phase 3. Phase 3 will be developed on the land located next to Phase 2 within Pengerang Deepwater Terminals of approximately 300 acres and the indicative initial investment cost of RM2.5 billion. The Group, State Government of Johor Darul Ta'zim and SSI are currently finalising the terms of the joint venture.

(ii) Memorandum of Understanding with Diyou Fibre (M) Sdn. Bhd. ("DFMSB")

In August 2021, Dialog Corporate Sdn. Bhd., a wholly owned subsidiary of the Company, had entered into a Memorandum of Understanding ("MOU") with DFMSB to outline the understanding between the said parties for a special purpose vehicle ("SPV") to build, own and operate a food grade recycled polyethylene terephthalate ("recycled PET") pellets production facility ("Facility") with an indicative initial investment cost of approximately USD25 million. This proposed venture into the post-consumer plastics recycling industry would be the Company's first investment into the downstream petrochemicals business. The Parties are currently in discussion on the final terms of the proposed venture.

There are no other corporate proposals announced but not completed as at date of this report.

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONTINUED**B7 Borrowings and debt securities**

As at 30 June 2021, the Group's borrowings were denominated in the following currencies:

	FC'000	RM'000
Short term borrowings:		
Secured:		
New Zealand Dollar	2,326	6,756
Ringgit Malaysia	-	40,409
Unsecured:		
New Zealand Dollar	2,279	6,620
Ringgit Malaysia	-	243,917
		<u>297,702</u>
Long term borrowings:		
Secured:		
Ringgit Malaysia	-	182,000
Singapore Dollar	308,722	953,950
Unsecured:		
Ringgit Malaysia	-	501,991
		<u>1,637,941</u>
		<u><u>1,935,643</u></u>

Included in the borrowings of the Group is RM1,603.2 million (30.06.2020: RM1,556.7 million) obtained under Islamic financing facilities.

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONTINUED**B8 Material litigation**

As at the date of this announcement, there was no material litigation since the last audited financial statements except for the following:-

High Court At Johor Bahru Suit No. Ja-23ncvc-4-04/2019 Teguh Kemajuan Sdn. Bhd. Vs Tan Sri Dr. Boon Keat, Chan Yew Kai, Dialog Group Berhad, Dialog Pengerang Sdn. Bhd., Pengerang Terminals Sdn. Bhd., Pengerang Independent Terminals Sdn. Bhd. And Others ("The Defendants")

Dialog Group Berhad ("DIALOG" or "the Company") and its wholly owned subsidiary, Dialog Pengerang Sdn. Bhd. ("DPengerang") have received a Writ and Statement of Claim dated 18 April 2019 ("the Suit") from Teguh Kemajuan Sdn. Bhd. ("TKSB").

TKSB was the owner of a piece of land held under GRN82359 Lot 1208 Mukim Pengerang, District of Kota Tinggi, Johor, which was previously compulsorily acquired by the State Government of Johor as part of the land forming part of Pengerang Independent Terminals Sdn. Bhd. ("PITSB")'s land. The land acquisition was completed in April 2013. PITSB, a joint venture company between DIALOG, Vopak Group and the State Government of Johor, is currently operating an independent storage terminal.

TKSB had challenged the compulsory land acquisition under a judicial review, which has been dismissed by the courts and TKS B has exhausted its rights of appeal. In addition to the judicial review, TKS B also challenged the original compulsory land acquisition price awarded. TKS B was successfully awarded a higher price in January 2018. However, TKS B is appealing against this decision at the Federal Court and the matter is pending the appeal.

TKSB is now claiming against the Defendants, amongst others, for conspiracy to injure TKS B by lawful and unlawful means, and/or unjust enrichment, and/or a claim based on constructive trust and the reliefs sought are, amongst others:

1. damages in the sum of US\$1,354,262,406 (or its equivalent in Ringgit Malaysia at the time of judgment or payment) as the projected profits which would have been gained by TKS B if TKS B had not been deprived of the use and development of the land, exemplary damages; interests; costs and such further reliefs as may be just;
2. against PITSB, a declaration that PITSB is a constructive trustee for TKS B; and
3. against PITSB, that it is and shall be liable to account to the Plaintiff for all incomes and profits it derives or may derive from its independent deepwater petroleum-storage terminal ("IDPT") project (or for such parts or proportions of the same as may be considered fair and just by the Court).

The suit has been struck out with costs for the Defendants on 6 October 2020. TKS B has filed a notice to appeal to the Court of Appeal on 28 October 2020 against the decision of the High Court Judge in allowing the Defendants' striking out application of the said suit. The hearing of the appeal is fixed for hearing on 29 October 2021.

DIALOG believes that the claims are scandalous, frivolous, vexatious and amounts to an abuse of process of the Court. DIALOG is of the opinion that the Suit is not expected to have a material impact on the operational and financial position of DIALOG for the financial year ending 30 June 2022.

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONTINUED

B9 Dividends

- a) The Board of Directors, pursuant to the Company's Constitution, recommends a final cash dividend of 1.90 sen (previous corresponding year: 1.90 sen) per ordinary share in respect of the current financial year for approval of the shareholders at the forthcoming Annual General Meeting.
- b) The total cash dividend for current financial year of 3.10 sen per ordinary share is amounting to approximately RM175,008,766, comprises the following:
 - i) Interim cash dividend of 1.20 sen per ordinary share amounting to RM67,708,766; and
 - ii) Proposed final cash dividend of 1.90 sen per ordinary share amounting to approximately RM107,300,000.

As the economic environment is expected to remain extremely challenging in the short to medium term and in view of current investment opportunities, the Board of Directors has decided to conserve cash by recommending a final cash dividend of 1.90 sen in respect of the current financial year.

B10 Derivative financial instruments

As at 30 June 2021, the Group has the following outstanding derivatives:

<u>Forward foreign exchange contracts</u>	Contract/Notional Value		Net fair value
	FC'000	RM'000	income/ (losses) RM'000
With maturity less than 1 year:			
Australian Dollar	285	890	(3)
Euro	550	2,702	16
Singapore Dollar	2,075	6,374	(39)
Japanese Yen	20,400	776	(9)
United States Dollar	2,825	11,668	(55)
<u>Interest rate swap contracts</u>			
With maturity less than 1 year:			
Ringgit Malaysia		21,069	(51)

There has been no significant changes to the financial derivatives in respect of the following since the last financial year ended 30 June 2020:

- a) the credit risk, market risk, and liquidity risk associated with these financial derivatives;
- b) the cash requirement of the financial derivatives; and
- c) the policy in place for mitigating or controlling the risk associated with these financial derivatives.

The basis of fair value measurement is the difference between the contracted rates and the market forward rates. This resulted in the Group recording a gain when the rates moved in its favour and recording a loss when the rates moved unfavourably against the Group.

B11 Investments in joint ventures and associates

The Company provided a sponsor's undertaking to a joint venture as disclosed in A14.

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONTINUED

B12 Earnings per share

The basic and diluted earnings per ordinary share for the current financial year is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares after deducting treasury shares.

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		12 MONTHS ENDED	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
Profit for the financial year attributable to owners of the Company (RM'000)	138,542	156,676	543,141	630,363
Weighted average number of ordinary shares in issue ('000)	5,642,338	5,638,307	5,640,694	5,638,307

Diluted earnings per ordinary share for the current financial year is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares. The adjusted weighted average number of ordinary shares in issue and issuable has been arrived at based on the assumption that ESOS are exercised at the beginning of the financial year. The ordinary shares to be issued under ESOS are based on the assumed proceeds on the difference between average share price for the financial year and exercise price.

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		12 MONTHS ENDED	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
Profit for the financial year attributable to owners of the Company (RM'000)	138,542	156,676	543,141	630,363
Weighted average number of ordinary shares in issue ('000)	5,642,338	5,638,307	5,640,694	5,638,307
Effect of dilution due to:				
- ESOS ('000)	500	-	1,527	-
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	5,642,838	5,638,307	5,642,221	5,638,307

INTERIM FINANCIAL REPORT

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA – CONTINUED

B13 Profit for the year

INDIVIDUAL PERIOD	CUMULATIVE PERIOD
3 MONTHS ENDED 30/06/2021 RM'000	12 MONTHS ENDED 30/06/2021 RM'000

This is arrived at after crediting/(charging):

Depreciation and amortisation	(65,964)	(226,661)
Foreign exchange gain	1,474	20,488
Gain on disposal of property, plant and equipment	4,971	17,137
Interest expense	(2,744)	(25,842)
Interest income	4,800	28,503
Property, plant and equipment written off	(138)	(202)
Rental income	422	1,280
Fair value gain for other investment	5,978	5,978
Other miscellaneous income	3,701	10,719

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia are not applicable.

Date: 19 August 2021